

European Union to spend half a trillion euros on imperialist interests in coronavirus bailout

Peter Schwarz
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After a 14-hour video conference and two days of telephone diplomacy, which also involved leaders in Germany, France, Italy and the Netherlands, the European Union finance ministers agreed on Thursday evening to a bailout package worth €500 billion. Its alleged aim is to help states hit especially hard by the coronavirus that were already in economic difficulty prior to its outbreak.

“Today is a great day of European solidarity and strength,” commented German Finance Minister Olaf Scholz (Social Democrats, SPD). “This is about the health of citizens, this is about securing jobs, and it’s about making sure that many companies make it through the crisis.”

None of this is true. The coronavirus has glaringly exposed the character of the capitalist system and its institutions. That also goes for the European Union, which does not embody the unity of Europe and its population, but the interests of the major banks and corporations.

The bailout is neither aimed at strengthening the health care system, nor at protecting jobs. It does not protect any company from collapse, at least not any that is of social value. Like the national bailout programmes, which outstrip the EU bailout in terms of their size, and the European Central Bank’s purchasing programme, which will see it buy €1.1 trillion of government and corporate debt this year, the EU bailout is aimed at guaranteeing the wealth of the stock markets, banks, and speculators.

The slightly more than €500 billion package agreed to by the finance ministers is composed of three parts.

A maximum of €240 billion will be made up of loans made available by the European Stability Mechanism (ESM), the agency established in the wake of the euro debt crisis. States in trouble can apply for loans from the ESM worth up to 2 percent of their GDP. Disagreements over the conditions to be attached to these loans nearly caused the entire deal to collapse. The Dutch government insisted, as has previously been the case, that countries accepting loans must impose tax hikes and pension cuts, but Italy rejected this. Although the conditions have been loosened somewhat, the loans can only be used to pay for costs associated with

the coronavirus crisis and must be repaid.

Two hundred euros billion is comprised of loan guarantees from the European Investment Bank (EIB) for small and mid-sized companies. To this end, the 27 EU member states agreed to guarantees worth €25 billion.

A further €100 billion will come from the EU Commission, which will offer cut-rate loans if the cost for Europe’s short-time work programmes increase. These are also loans that will have to be repaid at a later date, i.e. at the expense of social services, health care, and education.

The bailout package also does not strengthen European solidarity, as Scholz claims. On the contrary, it deepens the economic divisions within Europe and therefore plays directly into the hands of chauvinist forces. The bailout programmes following the 2008 financial crisis also had this effect. Countries which accepted these programmes ended up with higher levels of debt when they were completed than before, their social, health care, and education systems lay in ruins, and only international banks profited handsomely.

The two-day squabble between the finance ministers provided a foretaste of what is still to come. They were unable to agree on the most contentious issue of all, the eurobonds or so-called “coronabonds.” They merely agreed to review “innovative forms of financing,” without committing to the specifics of these forms.

The basic idea of “coronabonds” is that countries with low levels of state debt that emerged strengthened from the financial crisis should issue joint bonds with the more indebted countries, which were subjected to EU-dictated austerity during the last crisis. The latter group of states would benefit from this because they would be able to pay lower interest rates than if they issued bonds themselves.

Germany, the Netherlands and some other northern European countries have persistently opposed these bonds, claiming that the EU treaties do not provide for common liability for state debt. By contrast, Italy, Spain, and other southern European countries are firmly in favour. France has emerged as the leading spokesman for this camp.

Some movement has now occurred in the “coronabonds”

debate. However, the goal is not to support the long-suffering populations of the highly indebted countries. Any money raised through the bonds, like everything else, would flow into the accounts of the big banks and boost the share markets. Rather, the much greater concern is that the conflicts between competing capitalist cliques could provoke a fragmentation of the EU, weaken Germany's economic position, and strengthen China.

The conflict over "coronabonds" is therefore increasingly dominated by the fear that China could have the last laugh if the EU fails to get its act together. The issue here is not solidarity, but imperialist interests: how can the European imperialist powers assert their interests in a world characterised by the decline of US imperialism and the rise of China?

Italian Prime Minister Giuseppe Conte made an urgent appeal for "coronabonds" in the German weekly news magazine *Die Zeit* on April 2.

Firstly, he noted that a key issue is to "protect companies in these difficult times from hostile takeovers." "Don't forget," Conte warned, "that after the crisis is overcome, we will confront a complex geopolitical landscape, the major problems of which we have already experienced over recent years: the crisis of multilateralism, economic tensions, the pressure of immigration, terrorism. With all of these problems, we will either raise our voices as Europeans or not at all."

Secondly, he pledged to redouble the attacks on the working class and social systems following the coronavirus crisis. Conte wrote that he wished to remind his readers that "Italy, in contrast to what we now constantly hear, went through a difficult process of fiscal adjustment following the state debt crisis, with consistent primary budget surpluses between 2010 and 2019. This path of transparently administering our finances will continue after we overcome this crisis according to jointly agreed upon regulations."

The supporters of eurobonds in Germany, including the Greens, Left Party, sections of the SPD, economists and even sections of the Christian Democrats, which previously opposed them, have laid stress on their significance for European imperialism.

In a "wake-up call" which appeared in the April 5 edition of *Tagesspiegel*, former Foreign Ministers Sigmar Gabriel (SPD) and Joschka Fischer (Greens) warned that the EU was threatening, in the face of the greatest challenge since its founding, "to fail miserably. Instead, we see that powers like Russia and China very publicly organise aid shipments to underscore Europe's deficits."

Germany "benefits most economically and financially from Europe. We even earned money from the Greek financial crisis," they note. Europe creates "in the true sense

of the word, surplus value for all. Especially for Germany, and particularly in an economic and financial sense."

Germany must therefore "now show its readiness to lead in Europe, best of all in alliance with France." Europe requires "common assistance during the crisis and a common plan for reconstruction following the crisis." Only then will "the euro become a genuine international reserve currency and an alternative to the dollar," they argue.

According to the two former foreign ministers, "If we don't do that, Europe will not realise its economic sovereignty, but will always be dependent when it comes down to business on the policy of the dollar region, as we bitterly experienced in the conflict over the Iran nuclear accord." Europeans can "only rise together to the great strategic challenges of the new decade, digitalisation, immigration, and security policy."

The two former ministers conclude, "Crises can be opportunities for Europe, like the Balkan wars of the 1990s, which led to the establishment of a European foreign policy." Fischer knows what he's talking about. As German foreign minister, he was responsible in 1999 for the first foreign military intervention by Germany following the downfall of the Nazi regime, when Germany joined the war in Yugoslavia. He initiated the return of German militarism, which only gathered pace after his departure.

For the German bourgeoisie, "coronabonds" offer a means to strengthen its hegemony in Europe, pursue its global imperialist ambitions, and push ahead with militarism. Genuine European solidarity demands one thing above all: the unification of the working class in struggle against the ruling elite, which views the coronavirus pandemic as an "opportunity for Europe" and their predatory interests.

The billions now flowing into the accounts of the banks and super-rich must be deployed to combat the pandemic and guarantee the strongest possible protection of the population by continuing to pay wages in full. The huge sums of wealth, banks and corporations must be expropriated, placed under workers' control, and used to combat the crisis.

The alternative to the European Union is the United Socialist States of Europe.



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